

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
CLAY TOWNSHIP
BARTHOLOMEW COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
03/09/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	David Johnson-Bey Christa K. Acton	01-01-06 to 12-31-06 01-01-07 to 12-31-10
Chairman of the Township Board	Danny Hadley Don Jackson	01-01-06 to 12-31-06 01-01-07 to 12-31-08



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF CLAY TOWNSHIP, BARTHOLOMEW COUNTY, INDIANA

We have examined the financial information presented herein of Clay Township (Township), for the period of January 1, 2006 to December 31, 2007. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

September 3, 2008

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 71,516	\$ 19,558	\$ 21,530	\$ 69,544
Dog	453	111	153	411
Township Assistance	23,796	15,184	11,037	27,943
Firefighting	2,525	21,717	24,000	242
Fire Station Debt	-	86,866	60,792	26,074
Construction	643,776	17,595	636,471	24,900
Totals	<u>\$ 742,066</u>	<u>\$ 161,031</u>	<u>\$ 753,983</u>	<u>\$ 149,114</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 69,544	\$ 30,091	\$ 17,267	\$ 82,368
Dog	411	-	411	-
Township Assistance	27,943	13,071	21,665	19,349
Firefighting	242	34,561	12,000	22,803
Fire Station Debt	26,074	110,121	12,071	124,124
Construction	24,900	-	18,481	6,419
Totals	<u>\$ 149,114</u>	<u>\$ 187,844</u>	<u>\$ 81,895</u>	<u>\$ 255,063</u>

The accompanying notes are an integral part of the financial information.

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The Trustee has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
General obligation bonds:		
Fire Station	<u>\$ 700,000</u>	<u>\$ 59,178</u>

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Officials or employees of the Township had money due from the Township, but a list of such employees was not certified to the County Treasurer.

IC 6-1.1-22-14(a) states in part:

"On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

CONDITION OF RECORDS

The financial ledger contained many posting errors for 2007. The ledger had not been reconciled to the bank account for 2007.

- (1) Record balances were not reconciled to depository balances.

IC 5-13-6-1(e) states in part:

"All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

- (2) There were a considerable number of posting errors. The errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and tax distributions not correctly posted.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

Information presented for examination indicates that, in some cases, amounts payable to vendors and other suppliers of goods and services are not being paid until two months after the invoice dates

Penalties and interest were paid to the Internal Revenue Service on November 15, 2007, for the period July 31, 2007 to October 31, 2007.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

INACCURATE W-2'S AND 941'S

The employers' share of social security and medicare tax was withheld from each employee's check in 2006 and remitted to the Internal Revenue Service with the employee's portion. The Trustee's W-2 reflected total wages for all employees and the Clerk's W-2 showed no withholdings of social security and medicare tax. The amount due to the former Trustee, David Johnson-Bey, for the employer's portion of withholdings is \$497.26, the amount due to the former Clerk is \$223.77, and the amount due to each Board member is \$30.60.

The Township's records show federal, state, and local taxes were withheld from employees in 2007, but no evidence was presented for examination to show where the withholdings were remitted. Additionally, the period of payment of wages did not agree with what was reported on the 941's.

The amount of income taxes withheld in 2007 but not remitted for the current Trustee, Christa K. Acton, was \$1,269.60. The amount of income taxes withheld but not remitted for the current Clerk was \$717.60.

A 1099 was not issued for the contract for cemetery care in 2006 or 2007.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

ADVANCE PAYMENTS/OVERPAYMENT

Dates of transactions indicate that some payments were made to the Trustee prior to the receipt of services. The Trustee received the salary for January through November 2007 by May 2007. The Trustee was paid \$400 more in 2007 than the amount shown in the approved budget. The Township Board did not adopt a Resolution Establishing Salaries for Township Officers and Employees, Township Form 17.

We applied the \$400 overpayment to the income taxes withheld but not remitted due to the Trustee for 2007. A balance of \$717.60 is due to the Trustee; as noted in the above Inaccurate W-2's and 941's comment.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

EXPENSE REIMBURSEMENT ITEMIZATION

Records presented for examination included claims for reimbursement to Christa K. Acton, Trustee, totaling \$896.81 for cell phone bills. The cell phone was in the name of the Trustee and not in the name of the Township. The cell phone bills showed that some months had minutes used which exceeded the monthly plan of 500 minutes. The cost for the excess usage paid by the Township for those months was over \$100. Detailed documentation was not attached to the information presented for reimbursement which would enable a determination that all expenses were for calls conducting Township business.

We requested Christa K. Acton, Trustee, provide adequate documentation to support the payment of the cell phone bills or reimburse the Township \$896.81. Adequate documentation was provided by Christa K. Acton, Trustee.

All claims, invoices, receipts and accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim, may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

ANNUAL REPORT

The annual report for 2007 was not filed by 30 days after the close of the year with the State Board of Accounts.

The annual report shall be prepared, verified, and filed with the State Board of Accounts within 30 days after the close of each fiscal year. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 2)

FIRE STATION CONSTRUCTION

The Township sold bonds in 2006. The revenue was used for the construction of a fire station for the Clay Township Volunteer Fire Department, but the financial transactions were not included in the Township ledger or made part of the annual report. Over \$710,000 in receipts and disbursements were accounted for through a bank account which was not recorded on the Township's record.

A local attorney oversaw the construction of the fire station. The attorney would receive invoices from the contractor and have the Trustee sign an affidavit for payment. The attorney would then take the invoices to First Financial Bank who would remit a check to the vendor. There was \$6,419.48 as of December 31, 2007, remaining in the bank account to be used on the construction project. The bank is assessing a monthly fee against the remaining balance for services rendered.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

DISBURSEMENT DOCUMENTATION

Payments from the fire station construction account, maintained by First Financial Bank, were observed which did not contain adequate supporting documentation such as receipts and invoices corroborating reimbursement to the Clay Township Volunteer Fire Department.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CLAY TOWNSHIP, BARTHOLOMEW COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 3, 2008, with Christa K. Acton, Trustee. The official concurred with our findings.

The contents of this report were discussed on September 4, 2008, with David Johnson-Bey, former Trustee.